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Review of the inputs to the substantive preparatory process and the International Conference on financing for Development

Technical notes

Note by the Secretary-General

Addendum

Technical note No. 4: Existing proposals to promote the increased and more effective participation of developing countries in the trade and financial decision-making processes*

* The preparation of the present technical note was coordinated by the Financing for Development Coordinating secretariat. Staff from the following entities collaborated, in a personal capacity, in its preparation: the Department of Economic and Social Affairs of the United Nations Secretariat, the United Nations Conference on Trade and Development, the International Monetary Fund, the World Bank, the World Trade Organization, the Economic and Social Commission for Asia and the Pacific, the Economic and Social Commission for Latin America and the Caribbean, the United Nations Development Programme, the Intergovernmental Group of Twenty-four Liaison Office, and various academic institutions.

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I. Introduction

1. "Increased and more effective participation" has several dimensions, ranging from ensuring that more and more the voices of developing countries are heard to developing a situation in which their voting in relevant bodies is increased in a meaningful way. Regarding effectiveness, the dimensions range from ensuring the physical presence of individual developing countries in international negotiations to ensuring that each country representative has the required expertise on the subject under consideration and has also some experience or some training in negotiation processes. These dimensions have a similar connotation in institutions such as the International Monetary Fund (IMF) and the World Bank, where the voting process is largely based on the financial weight of the stakeholders. In the World Trade Organization — a more recently established institution with a growing membership — the large majority of decisions are taken by consensus and changes regarding participation of members and accession of new countries might have a different connotation.

2. The focus in the list of proposals given below is on intergovernmental bodies that discuss or negotiate principles, norms, standards or rules and set policies or policy guidelines.

II. List of proposals

A. Increased participation in financial decision-making processes

3. The report of the Secretary-General (A/AC.257/12) to the Preparatory Committee for the International Conference on Financing for Development (in paras. 134, 136, 137 and 166) contains proposals towards increased participation of developing countries in economic and financial decision-making. In the list that follows, the origin of the proposal and the intergovernmental body to which the proposal was presented have been identified except in the case of ministerial communiqués (for example, the Intergovernmental Group of Twenty-four (G-24) ministerial communiqués are regularly presented to the IMF International Monetary and Financial Committee and the Joint IMF/World Bank Development Committee and the results of the United Nations Conferences are regularly presented to the General Assembly).

1. *Origin*: Ministerial declaration (E/2001/L.20) of the high-level segment of the substantive session of 2001 of the Economic and Social Council, 18 July 2001

   Presented to: the high-level segment of the substantive session of 2001 of the Economic and Social Council on the role of the United Nations in support of the efforts of African countries to achieve sustainable development, 18 July 2001

   Proposal: Ministers "welcome the dialogue between the Group of Eight and representatives from Africa, including at the highest level, and invite the Group of Eight to maintain the dialogue to ensure that the challenges facing the region are given due attention on a regular basis" (para. 25).

2. *Origin*: Eleventh Summit of the Heads of State and Government of the Group of Fifteen, Jakarta, Indonesia, 30 and 31 May 2001

   Proposal: "More meaningful and equitable participation, cooperation and consultation between developing and developed countries are required in the reform of the international financial system to ensure that the interests of all developing countries are safeguarded."

3. *Origin*: Deliberations of the special high-level meeting of the Economic and Social Council with Bretton Woods institutions, held on 1 May 2001 (see E/2001/72)

   Presented to: Substantive session of 2001 of the Economic and Social Council, July 2001

   Proposal: (as reflected in para. 53 of the summary of the meeting on 1 May 2001): "Regarding the ongoing reforms of the Bretton Woods institutions, several ministers welcomed the review of IMF conditionality initiated by its Managing Director, with a view to making it better focused, more effective and less intrusive, as well as to enhancing programme ownership. Nevertheless, developing

countries still needed a larger voice in the decision-making processes of these institutions. More generally, there was broad convergence on the need for inclusion and participation of all countries and stakeholders in global policy-making as a prerequisite to ensure its success."

4. *Origin*: Quota Formula Review Group (report to the IMF Executive Board of the Quota Formula Review Group, 12 April 2001)

   Presented to: IMF Executive Board (April 2001)

   Proposal: "The most important criteria for assessing any proposals for change in the quota formulas are: (a) any new formula should have a sound economic basis and reflect the relevant changes in the world economy; (b) its form and content should be consistent with the multiple functions of the quotas; and (c) it should be simple and transparent."

   The Group, whose purpose was to review the adequacy of calculated quotas in the light of changes in the world economy and the increasing globalization of markets, did not reach unanimity on any precise formula, but one option — a minority view — which is to use purchasing power parity (PPP) exchange rates instead of market exchange rates in the calculations, would lead to a relative increase in the quota (and voting power) of developing countries.

5. *Origin*: Report of the Regional Consultation on Financing for Development in the Western Asia Region, Beirut, 23 and 24 November 2000 (A/AC.257/16)

   Presented to: Preparatory Committee at its second substantive session, February 2001

   Proposal: "... To perform needed functions effectively ... it is necessary to reform the governance of the international financial institutions (IFIs), including their voting structures and decision-making processes, with a view to bringing about greater participation of developing countries" (para. 64).

6. *Origin*: Deliberations on the high-level international intergovernmental event on financing for development of the eighth session of the Meeting of Ministers of Finance of African Countries, Addis Ababa, Ethiopia, 21 and 22 November 2000: ministerial statement (A/AC.257/14, annex)

   Presented to: Preparatory Committee, February 2001

   Proposal: "We are of the opinion that there is need for a serious dialogue on the issue of governance of the international financial system. The basic problem today is the exclusion of a large number of developing countries, especially from Africa, from the decision-making process of the international financial system. Such a dialogue invariably would need, inter alia, to include a review of the respective roles of the Bretton Woods institutions, such as reconsidering their governance structures, providing a greater voice to developing countries, and customizing their programmes to the needs of developing countries" (para. 25).

7. *Origin*: Intergovernmental Group of Twenty-four (G-24) on International Monetary Affairs, G-24 Meeting of Ministers, ministerial communiqué, 23 September 2000

   Proposal: "Ministers welcome the ongoing discussion of a whole range of complex issues relating to the role, structure, and context of the Fund's quota formulae. They hope that these discussions will lead to a more balanced distribution of quotas between industrialized and developing economies and the provision of a larger voice for developing economies in the decision-making process of the Fund. They also reiterate their support for a revision of the size of the basic votes" (para. 18).

8. *Origin*: Report of the Regional Consultative Meeting on Financing for Development in the Asia and Pacific Region, Jakarta, 2 to 5 August 2000 (A/AC.257/13)

   Presented to: Preparatory Committee, February 2001

Proposal: "The view was expressed that regarding its treatment of developing countries, IMF was not meeting the objectives of its articles of agreement.

"• IMF remains the appropriate forum for the reform of the international financial architecture.

"• There is a need to review IMF quotas" (para. 41).

9. *Origin*: Report of the Secretary-General entitled "Towards a stable international financial system, responsive to the challenges of development, especially in the developing countries" (A/55/187 and Add.1 and 2), 27 July 2000

Presented to: General Assembly at its fifty-fifth session (September-December 2000)

Proposal: "There is ... a broadening view that the voting structures of the Fund and Bank should be realigned both to better reflect current economic realities and to give more representation to low-income countries" (para. 72). "Sometimes, the principle of 'subsidiarity' can usefully limit what needs to be addressed at global level, or sub-groupings of the whole membership can deliberate first in decentralized forums and the group views can then be represented in the global forum. On both counts, it follows that, along with global institutions, stronger regional and subregional bodies can play a significant role in the globalizing world economy. It has been suggested, for example, that a more decentralized policy-making process might be conceived wherein regional forums would help prepare for discussions by representatives in global forum and thus facilitate wider participation in the discussion of global issues" (para. 73).

10. *Origin*: G-24 ministerial communiqué, 15 April 2000, Washington, D.C.

Proposal: "Ministers are concerned about the increasing role being taken in international monetary and financial affairs by international forums — other than the Bretton Woods institutions — in which the representation of developing countries is limited. The work of these forums has a direct bearing on developing countries. Therefore, Ministers urge that such issues should be considered within the Bretton Woods institutions, given their universal membership, and that agreements be reached in their decision-making bodies" (para. 11).

11. *Origin*: G-24 ministerial communiqué, 25 September 1999, Washington, D.C.

Proposal: "Ministers stress that, in order for informal mechanisms for dialogue between 'systemically significant' countries to gain ownership and representation, the choice of participants should take into account the constituency structure of the Bretton Woods institutions. They consider that such mechanisms should not undermine the role of the Bretton Woods institutions' Executive Boards and Committees as the appropriate forums for addressing the main issues facing the international monetary and financial system" (para. 16). "While welcoming the establishment of the Financial Stability Forum, Ministers consider that developing countries should be appropriately represented in order to ensure that their views are properly reflected" (para. 17).

12. *Origin*: Communiqué of the Meeting of Ministers for Foreign Affairs and Heads of Delegation of the Non-Aligned Movement, 23 September 1999 (A/54/469-S/1999/1063, annex)

Proposal (adopted in the communiqué): "... However, we regret that the voice of developing countries in decision-making still does not realistically reflect their emergence as important actors in the world economy. We therefore urge developed countries to give this cumulative contribution and role meaningful and commensurate recognition. The participation of developing countries in global economic decision-making, particularly in the international financial institutions, as well as in trade and other

economic areas, should thus be enhanced. We reaffirm the need for such democratization and transparency in international economic and financial decision-making in all forums and at all levels, with the full participation of developing countries so as to ensure that their development interests would be finally taken into account" (para. 104).

13. *Origin*: Commonwealth Finance Ministers meeting, Grand Cayman, Cayman Islands, 21-23 September 1999 (reiterated at the Commonwealth Finance Ministers meeting, St. Julians, Malta, 19-21 September 2000)

Proposal: "They (ministers) also stressed the need for a more inclusive process of shaping the international financial architecture. In this context, they welcomed the suggestion of enhanced participation of developing countries in the Financial Stability Forum."

14. *Origin*: High-level Regional Meeting "Towards a stable and predictable international financial system and its relationship to social development", held in Mexico City from 5 to 7 September 1999 under the auspices of the Government of Mexico and in collaboration with the Economic Commission for Latin America and the Caribbean (ECLAC) (A/54/384, annex, appendix), 22 September 1999

Presented to: General Assembly at its fifty-fourth session

Proposal: "The developing countries' regional groups and coalitions, such as the Group of 77, the Group of 24, the Group of 15 and the Rio Group, should strengthen their participation in the dialogue with the Group of Seven, other industrialized countries and international financial institutions, with a view to ensuring consistency and universality of economic policy measures and to designing and setting up the new international financial architecture. Regional and subregional financial institutions have a key role to play in this endeavour" (para. 17).

15. *Origin*: G-24 ministerial communiqué, Washington, D.C., 26 April 1999

Proposal: "Ministers underscore the necessity of comprehensive reforms of the international monetary and financial systems, geared to prevent costly economic crises and to manage them effectively when they occur. They are of the view that improvements in the system should be built around the existing international institutions and emphasize the need for developing countries to have an equitable representation in this process. In this regard, Ministers reiterate their call for the establishment of a task force with participation from industrialized countries and representatives from a wide range of developing countries to engage in an in-depth examination of issues related to the reform of the international monetary and financial system" (para. 7).

16. *Origin*: Report of the Committee for Development Planning on its thirty-second session. (*Official Records of the Economic and Social Council, 1998, Supplement No. 14* (E/1998/34))

Presented to: Economic and Social Council, at its substantive session of 1998

Proposal: A world financial organization could be established "to provide overall guidance in the development and monitoring of international standards and codes of conduct for private financial management and capital flows, and to identify new needs for supervision of private capital markets as they arise" (para. 7). The proposal has been reiterated by the Executive Committee on Economic and Social Affairs of the United Nations in its report "Towards a new international financial architecture" (21 January 1999) which was presented to the Second Committee of the General Assembly. Discussing the proposal, the Committee added that "such an institution could evolve from existing ones, such as the Banu for International Settlements (BIS) and the International Organization of Securities

Commissions (IOSCO)", which would require a "significant expansion of the membership of these organizations".

17. *Origin*: Ministerial Meeting of G-24, Caracas Declaration II, Caracas, Venezuela, 7-9 February 1998 (proposal reiterated at the G-24 Ministerial Meetings of April 1998 and October 1998)

Summary of the proposal: Establishment of a Task Force with participation from industrialized countries and representatives from a wide range of developing countries to engage in an in-depth examination of issues related to the reform of the international monetary and financial system. One of the six issues that the Task Force is called to address is the following: "The increased representation and participation of developing countries at the decision-making level of international financial institutions to properly reflect developing countries' growing role in the world economy, including through the revision of the bases determining the voting power in these institutions." The terms of reference of the Task Force could include the examination of ways to approach these issues more efficiently within existing bodies.

18. *Origin*: Report of the Secretary-General entitled "Global financial integration: an update" (A/52/406), 30 September 1997

Presented to: General Assembly at its fifty-first session

Proposal: "The Board of Directors of BIS continues ... to comprise only representatives of the central banks of the Group of Ten ... the developing countries should participate fully in the deliberations and decisions on international supervisory issues" (para. 51).

19. *Origin*: G-24 ministerial communiqué, Washington, D.C., 21 April 1996

Proposal: "Ministers emphasized the importance of maintaining a proper balance in the representation of members and regions within the Executive Board of the Fund and expressed serious concerns about the relative decline in the quota share of developing countries over time. They stressed that the quota increase under the Eleventh General Review of Quotas should be predominantly equiproportional to ensure an adequate increase in quotas for all members and to help maintain the quota share of the developing countries" (para. 9). "They also called for a review of the number of basic votes, which would enhance the participation of developing countries, especially a number of smaller ones, in decision making in the Fund" (para. 10).

20. *Origin*: G-24 ministerial communiqué, Washington, D.C., 7 October 1995

Proposal: "With regard to the Halifax communiqué on this subject, Ministers reiterated the position taken in the G-24 Resolution adopted in Madrid in October 1994, and reaffirmed in April 1995 in Washington, D.C., that any assessment of the functioning of the international monetary and financial system must be made with the full and substantive participation of the developing countries. Accordingly, Ministers emphasized the importance of the involvement of the developing countries in any discussion on the reform of international financial institutions along the lines of the Committee of Twenty" (para. 24).

21. *Origin*: G-24 ministerial communiqué, Thailand, 12 October 1991

Proposal: "Ministers underscored, in view of the expanding membership of the Bretton Woods institutions, the critical importance of preserving the genuinely multilateral character of these institutions. They reiterated that new membership should not adversely affect the present geographical representation of developing countries on the Executive Boards of the Fund and the Bank. Ministers also reiterated the importance of ensuring an adequate representation of developing countries in the senior management of the Bretton Woods institutions" (para. 46).

B. Increased participation in trade decision-making processes

4. A significant development in this field has been the recent decision of the Director-General of the World Trade Organization to appoint a panel of experts to advise him on the challenges and opportunities confronting the organization and the global trading system. Accordingly, one of the main tasks of the panellists will be to examine "how the organization can ensure the fullest possible participation of each member Government as the World Trade Organization expands to near-universal membership" (WTO/News Press/236, Geneva, 5 July 2001). It is also important to note that since Seattle the General Council of the World Trade Organization has tried to ensure that the negotiation and discussion process in the World Trade Organization is fully transparent and open to all members and observers. All substantive issues regarding, for example, implementation of the World Trade Organization agreements, preparation for the Doha Ministerial Conference and the possible launch of a new round of trade negotiations are discussed in formal or informal sessions of the World Trade Organization's General Council. "Subsidiary" bodies which deal with special topics are nonetheless open to all members and observers and are required to report back to the General Council.

1. *Origin*: Zanzibar Declaration, The Least Developed Countries Trade Ministers' Meeting, 24 July 2001, Zanzibar, United Republic of Tanzania

   To be presented to: Fourth World Trade Organization Ministerial Conference to be held in Doha, Qatar, from 9 to 13 November 2001

   Proposals: The Ministers responsible for trade of the least developed countries, meeting in Zanzibar "call on the fourth World Trade Organization Ministerial Conference to agree on (a) facilitating the accession of least developed countries into the World Trade Organization with a more streamlined process of accession, under terms consistent with their development, financial and trade needs and commitments not higher than those undertaken by least developed countries World Trade Organization members, including transitional periods mandated by World Trade Organization Agreements starting from the date of accession and (b) ensuring that, in view of the least developed countries' limited capacity to negotiate and undertake further commitments, the scope of the future World Trade Organization work programme is manageable and agreed by all members by consensus, and that any future negotiations are based on an agenda accommodating least developed countries' interests" (para. 4).

2. *Origin*: Report of the High-level Panel on Financing for Development (A/55/1000), United Nations, 26 June 2001

   Presented to: Secretary-General of the United Nations

   Proposal: "There is a case for establishing a small steering group that can be delegated responsibility for negotiating consensus on future trade accords among World Trade Organization member countries. Ideally, the composition of the steering group should be representative of the total World Trade Organization membership, and participation should be based on clear, simple and objective criteria."

3. *Origin*: Eleventh Summit of the Heads of State and Government of the Group of Fifteen, Jakarta, Indonesia, 25-31 May 2001

   Proposal: "We reaffirm that a rule-based, open, just, equitable and non-discriminatory multilateral trading system is a prerequisite for a sound and balanced international economy and the credibility of the multilateral trading system. In this context, greater democracy and internal inclusiveness, internal transparency and effective participation of all members in the decision-making process in the World Trade Organization should be enhanced in order to accommodate the legitimate requirements and priorities of developing countries" (para. 17).

4. *Origin*: Deliberations at the Third United Nations Conference on the Least Developed Countries: Programme of Action for the

Least Developed Countries for the Decade 2001-2010 (A/CONF.191/11), Brussels, Belgium, 14-20 May 2001

Summary of the proposal: To facilitate the accession process for least developed countries in the World Trade Organization on the basis of terms that take into account their stage of development and the basic principles of special and differential treatment. In the meantime, to support efforts of least developed countries already seeking to accede.

5. *Origin*: Report of the Regional Consultation on Financing for Development in the Latin America and the Caribbean Region, Bogotá, 9 and 10 November 2000 (A/AC.257/17)

Presented to: Preparatory Committee, February 2001

Proposal: "Of critical importance is a fair, equitable and rule-based multilateral trading system, operating in a non-discriminatory, inclusive and transparent manner that provides benefits for all countries, especially developing countries. This must involve, inter alia, effective participation of the latter in decision-making ... " (see para. 53, containing the statement entitled "Towards the High-level International Intergovernmental Event on Financing for Development", para. 7).

6. *Origin*: Report of the Secretary-General to the Preparatory Committee for the High-level International Intergovernmental Event on Financing for Development (A/AC.257/12), United Nations, 18 December 2000

Presented to: Preparatory Committee at its second substantive session, February 2001

Summary of the proposal: In discussing systemic issues of governance and policy coordination, the report recommends that "the United Nations and the World Trade Organization should continue to work innovatively and constructively with each other in pursuing overall coherence and consistency issues related to the international monetary, financial and trading systems, especially as they relate to the support of development. In this context, the United Nations Conference on Trade and Development (UNCTAD) Trade and Development Board should further deepen regular interactions with the Committee on Trade and Development of the World Trade Organization General Council. Other interactions and cross-participation of senior officials, committee chairs and interested government representatives in United Nations and World Trade Organization intergovernmental meetings should be similarly facilitated" (box between paras. 139 and 140). The Secretary-General's report also suggests that "the Ministerial Conference of the World Trade Organization might wish to keep on its permanent agenda further consideration of the issue of its institutional relationship with the United Nations" (para. 139).

7. *Origin*: Report of the Regional Consultation on Financing for Development in the Latin America and the Caribbean Region, Bogotá, 9 and 10 November 2000

Presented to: Preparatory Committee at its second substantive session, February 2001

Proposal: "To this end" (here the report refers to the preceding paragraph calling for "reforms needed for a more equitable, participatory, solid and stable international financial and trade system; within a convergence of efforts" of the United Nations with the Bretton Woods institutions and the World Trade Organization), "it is essential that the process of reform for a strengthened and stable international financial architecture should be based on broadened and strengthened participation of developing countries in the international economic decision-making and norm-setting processes in order to promote more efficient international institutions and arrangements in which all relevant interests can be effectively represented" (para. 53 containing the statement entitled "Towards the High-level International Intergovernmental Event on Financing for Development", para. 5).

8. *Origin*: South Summit: Havana Programme of Action (A/55/74, annex II) (ministerial meeting of the Group of 77 and China), 10-14 April 2000, Havana, Cuba

Proposal: (We, the Heads of State and Government, commit ourselves to the following decisions and actions:) "Work towards achievement of the universal membership of the World Trade Organization as soon as possible in order to strengthen the multilateral trading system. We strongly believe that appropriate assistance should be made available to developing countries seeking accession. They should be offered terms that neither exceed nor are unrelated to the commitments of developing-country and least developed country members of the World Trade Organization. We urge that all World Trade Organization members refrain from placing excessive or onerous demands on applications from developing countries. We therefore stress the need for a transparent, streamlined and accelerated accession process that is in keeping with World Trade Organization rules and disciplines" (sect. V, para. 12 (1)).

9. *Origin*: Marrakech Declaration (A/54/392, annex), 7 September 1999 (Ninth ministerial meeting of the Group of 77 and China)

Presented to: Tenth session of UNCTAD (February 2000) and reiterated at the Eleventh Summit of the Heads of State and Government of the Group of Fifteen, Jakarta, Indonesia, 25-31 May 2001 (para. 21)

Proposal: "The universality of the World Trade Organization should be achieved as soon as possible in order to strengthen the multilateral system. We strongly believe that appropriate assistance should be made available to developing countries seeking accession. They should be offered terms that do neither exceed nor are unrelated to the commitments of developing-country and least developed country members of the World Trade Organization" (para. 23).

10. *Origin*: Deliberations of UNCTAD at its tenth session, Plan of Action (TD/386), 18 February 2000, Bangkok, Thailand

Proposal: "The impact of the World Trade Organization commitments on national policies for small and medium-sized enterprise (SME) development, particularly those facilitating market access, has yet to be assessed. In addition, environmental and health-related standards may affect exports by developing-country companies and SMEs to countries in which these standards have to be met. Some least developed countries have already experienced export losses. Participation of developing countries in standard-setting needs to be enhanced" (para. 79).

C. More effective participation in financial and trade-related decision-making processes

5. The report of the Secretary-General (A/AC.257/12) in paragraph 81 calls for enhancing contributions to the Trust Fund established in the context of the Integrated Framework, whose objective is, inter alia, to enhance the capacity of developing countries in the negotiation of trade policies. It also calls on World Trade Organization members to expand the scope of the Integrated Framework to cover particularly countries of Africa, small island States, and landlocked and transit developing countries. It should be noted that several recommendations to enhance the effective participation of developing countries in the decision-making process were recently considered and adopted (see particularly paras. 129-139 of the Plan of Action adopted at the tenth session of UNCTAD in Bangkok, 18 February 2000). To the same end, the World Trade Organization is circulating regular briefing notes on developments in World Trade Organization bodies to members and observers that have no missions, or small missions, in Geneva. A one-week meeting for non-residents is conducted annually in Geneva. Officials from capitals of non-resident members and observers are invited for intensive briefings and discussions of World Trade Organization issues.

1. *Origin*: Deliberations at the G-8 Summit Meeting in Genoa, Italy, 19 July 2001

   Summary of the proposal: The Italian Foreign Affairs Minister Renato Ruggiero declared at the final press conference of the G-8 Ministerial Meeting that the Canadian Presidency had been asked to envisage an enlarged forum immediately after the G-8 meeting next year. This would be a "G-22" meeting to be held immediately after the Summit at which to compare notes and coordinate international commitments vis-à-vis the more severe challenges faced by less developed countries.

2. *Origin*: Deliberations of the special high-level meeting of the Economic and Social Council with the Bretton Woods institutions, held on 1 May 2001 (E/2001/72)

   Presented to: Substantive session of 2001 of the Economic and Social Council, July 2001

   Proposal (as reflected in para. 38 of the summary of the meeting, held on 1 May 2001): The Chairperson of the Financial Stability Forum said that "(w)ith regard to representativeness of participation, it was vital that countries felt ownership, requiring the involvement of all those interested in the issues. Consultation mechanisms had to be further developed so that all voices could be heard. Regional forums could play an important role in this regard".

3. *Origin*: Summary of the special high-level meeting of the Economic and Social Council with the Bretton Woods institutions, held on 1 May 2001 (E/2001/72)

   Presented to: Substantive session of 2001 of the Economic and Social Council, July 2001

   Proposal (as reflected in para. 23 of the summary of the meeting, held on 1 May 2001): The Chairperson of the Development Committee stated that "(t)rade needed to be leveraged for development so that countries receiving debt relief would not fall back into the debt trap. In this regard, international institutions should provide assistance in capacity-building so that these countries could take advantage of global trade opportunities. The World Bank could help in enhancing the negotiating capacities of the developing countries".

4. *Origin*: G-24 ministerial communiqué, Washington, D.C., 28 April 2001

   Proposal: "Given the complementary nature of this research with the research conducted by the Fund and the Bank, Ministers consider that it would be appropriate for the Bank and the Fund to supplement this assistance annually from their research budgets. This would help build capacity in G-24 member countries and contribute to better governance of the Bretton Woods institutions" (para. 20).

5. *Origin*: G-24 ministerial communiqué, Washington, D.C., 28 April 2001

Proposal: "Ministers stress the need for the Bretton Woods institutions to ensure that developing countries have a larger voice in the decision-making processes of these institutions. They note that the workload of the chairs representing developing countries — particularly the African chairs — on the Bretton Woods institutions Boards has increased significantly as a result of the Poverty Reduction Strategy Process (PRSP), the Heavily Indebted Poor Countries (HIPC) Initiative, and post-conflict and arrears cases. In this regard, Ministers welcome the recent decision of the Fund Board to increase the staffing of Executive Directors' offices, and they urge the Bank Board to follow suit. Moreover, Ministers encourage the Bretton Woods institutions to enhance the representation of developing country nationals in the staffs of these institutions" (para. 18).

6. *Origin*: Boards of the World Bank and IMF, March 2001

   Presented to: Various constituencies (as explained in the proposal)

   Proposal: "The Bank and Fund are inviting contributions from developing countries, aid donors, and civil society organizations. Together with analyses by Fund and Bank

staff, these submissions will serve as background to an international conference on the PRSP approach to be held in Washington, D.C., in January 2002. Papers prepared for the review will be made publicly available. In addition to the international conference, there will also be regional country events to ensure that voices from within PRSP countries are adequately represented. The PRSP review, and a companion review of IMF's Poverty Reduction and Growth Facility (PRGF) being conducted in parallel by the Fund, will be presented to the Executive Boards of the Bank and Fund by endorsing changes in the PRSP framework in March 2002."

7. *Origin*: Report of the Regional Consultative Meeting on Financing for Development in the African Region, and Preparatory Meeting for the Third United Nations Conference on the Least Developed Countries, Addis Ababa, 15-17 November 2000 (A/AC.257/14)

Presented to: Preparatory Committee, February 2001

Proposal: "Another critical suggestion was effective participation by African countries, particularly least developed countries, in global trade negotiations, including the international standard-setting organizations. To this effect, the provision of capacity-building support by developed countries is critical in the following areas: ... building capacity in trade negotiations in order to defend and advance African trade interests. The Integrated Framework for trade-related technical assistance for least developed countries is critical in assisting least developed countries in meeting the challenge of integration into the global economy. Its effective implementation, however, requires substantial funding ..." (para. 46).

8. *Origin*: Development Committee (Joint Ministerial Committee of the Boards of Governors of the Bank and IMF on the Transfer of Real Resources to Developing Countries), 17 April 2000 (see communiqué on the sixty-first meeting contained in appendix VI of IMF, *Annual Report, 2000* (Washington, D.C., IMF, 2000))

Presented to: Board of Executive Directors of the World Bank

Proposal: "The Committee urged the Bank to mainstream trade in its country assistance programmes by providing greater financial and technical support to improve trade-related infrastructure and institutions, including building domestic capacity for trade policy and negotiations, and by undertaking a strengthened research programme on, inter alia, trade barriers to developing-country exports, the issues developing countries face in implementing the Uruguay Round Agreement and the complex links between trade and poverty" (para. 6).

9. *Origin*: Draft resolution contained in the report of the Second Committee (A/54/585/Add.3 and Corr.1, sect. III, draft resolution I)

Presented to: General Assembly at its fifty-fourth session (adopted by the General Assembly on 22 December 1999 (resolution 54/198))

Proposal: The General Assembly strongly emphasized the need for technical assistance, including legal assistance, to developing countries, through, inter alia, the newly established Advisory Centre on World Trade Organization Law and other mechanisms, to enable those countries to take the fullest possible advantage of the dispute settlement mechanism of the World Trade Organization, based on multilaterally agreed rules and regulations, and also in this context emphasized that it was important for the United Nations Conference on Trade and Development to strengthen its technical assistance to developing countries, in particular the least developed countries, landlocked developing countries and small island developing States in this area (para. 25).

10. *Origin*: Executive Committee on Economic and Social Affairs of the United Nations, 21 January 1999 (Report of the Task Force entitled "Towards a new international financial architecture")

Presented to: General Assembly, United Nations system

Summary of the proposal: "The design of the new (international financial) architecture could thus introduce special incentives to develop (regional financial) institutions. For instance, common reserve funds could be given special automatic access to IMF financing and/or a share in the allocation of SDRs, proportional to the paid-in resources. Indeed, in the long run, IMF could be visualized as part of a network of regional reserve funds, and its operation could then concentrate on relations with these reserve funds rather than on support to specific countries in difficulties. Moreover, regional institutions and peer review could also play a central role in surveillance, both of macroeconomic policies and of domestic financial regulation" (sect. 9, second and third paragraphs).

11. *Origin*: G-24 ministerial communiqué, Washington, D.C., 27 April 1997

Proposal: "Ministers noted that the principles of good governance of nations include transparency, accountability, and the rule of law. They stressed that the intergovernmental financial institutions, in following these principles in their own operations, should adhere strictly to the mandates embodied in their respective Articles of Agreement. In addition, they called for the fuller participation of developing countries in the decision-making process of the institutions, as well as in their management and staffing patterns" (para. 8).

12. *Origin*: *Our Global Neighbourhood* (Oxford, Oxford University Press, 1995), the report of the Commission on Global Governance

Presented to: General Assembly, 1995

Proposal: "To establish an Economic Security Council (ESC) to give political leadership and promote consensus on international economic issues, where there are threats to security in its widest sense. The ESC would have deliberative functions only; its influence will derive from the relevance and quality of its work and the significance of its membership. The ESC should be established as a distinct body within the United Nations family, structured like the Security Council, though not with identical membership and independent of it." This idea has also been supported by the High-level Panel on Financing for Development in June 2001.

13. *Origin*: G-24 ministerial communiqué, Bangkok, Thailand, 1 October 1994

Proposal: "Ministers also stressed the importance of the Bretton Woods institutions' broadening their staff recruitment base, so as to reflect varying educational backgrounds and practical experience while maintaining — or even raising — standards of excellence. Such broadening should provide greater opportunities for developing-country candidates to enter the institutions at a variety of staff levels, and should ensure adequate representation of qualified staff from developing countries at senior staff levels" (para. 6).

III. Additional references

6. In the search for the material presented above, several proposals that appeared relevant were identified but, since their relationship to the intergovernmental process was less direct, they were not included in the lists above. What follows are some proposals by high-level authorities and a list of policy-oriented technical papers that deal — at least partially — with the increased and more effective participation of developing countries in the financial and trade-related decision-making processes. Many of the latter proposals were the result of the background technical work prepared at the request of intergovernmental bodies, in particular G-24.

A. Proposals by high-level authorities

1. Supachai Panitchpadki, Deputy Prime Minister and Minister of Commerce, Thailand, "Balancing competing interests: the future role of the WTO" (article in *The Role of the World Trade Organization in Global Governance*, G. Sampson, ed. (Tokyo, United Nations University Press, 2001)). In the same book, a similar proposal is made in the article by P. Sutherland, J. Sewell and D. Weiner entitled "Challenges facing the WTO and policies to address global governance". Panitchpadki suggests the establishment of a representative executive board in the World Trade Organization (or a representative executive committee arrangement) for balancing the decision-making efficiency and the requirement of consensus. In the same essay, Panitchpadki proposes the establishment in the World Trade Organization of a system by which the state of play of any ongoing negotiation in any group would be immediately communicated to all member countries for information-sharing and ultimate decision.

2. Rubens Ricupero, "Rebuilding confidence in the multilateral trading system: closing the legitimacy gap" (article appeared in *The Role of the WTO in Global Governance*, G. Sampson, ed.). In respect of facilitating the accession to the World Trade Organization, Ricupero expresses the need for more "streamlined arrangements, particularly for least developed countries, and arrangements to ensure that all acceding developing countries, including least developed countries, benefit from the relevant S&D (special and different treatment) provision of the MTAs (multilateral trade agreements)" (p. 56).

3. Michel Camdessus, then Managing Director of IMF, remarks to the International Graduate School of Management, 27 November 1999 (link: http://www.imf.org/external/np/speeches/1999/112799.htm)

   Proposal: "... replacing the G-7 Summit every two years by a meeting of the heads of State and Government of the countries — approximately 30 at any one time — who have Executive Directors on the Boards of either IMF or the World Bank. This would provide a fair and legitimate representation of the entire membership of 182 countries. As it would be attended by the heads of the two organizations, the Secretary-General of the United Nations, as well as the heads of the International Labour Organization (ILO) and the World Trade Organization, it would offer a way of establishing a clear and strong link between these institutions and a representative grouping of world leaders with the greatest possible legitimacy."

B. Policy-oriented technical papers

1. Monika S. Ahluwalia, "The IMF and the World Bank in the new financial architecture", in UNCTAD, *International Monetary and Financial Issues for the 1990's*, vol. XI (1999) (United Nations publication, Sales No. E.99.II.D.25). Ahluwalia talks about possible steps that could be undertaken in order to reform the IMF Interim Committee (since April 2000, the International Monetary and Financial Committee) and Development Committee with a view to effecting a broader participation of emerging market economies in the decision-making process. Ahluwalia discusses the creation of a single overarching group at the ministerial level where the Fund and the Bank would be full partners and the World Trade Organization, UNCTAD, BIS and IOSCO could be permanent observers. The country composition of the new forum could be made wider than that of the Interim Committee.

2. Ariel Buria, "Reforming the governance of the Bretton Woods institutions", paper presented at the G-24 Workshop on Financing for Development, 6 and 7 September 2001, Nigeria House, New York. Buria explains that a restoring of the share of basic votes in IMF "to, say, 11.3 per cent of the total ... would require a more than

fivefold increase in the basic vote of every member country (from 250 to 1,323); restoring the proportion of basic votes per member to what it had been in 1945 would raise the total basic votes to nearly half of total voting power ... An intermediate solution that would partially restore the role basic votes were meant to have, would be to assign to basic votes, say, 25 per cent of the total voting rights. In order to prevent the future erosion of the share of basic votes in the total, the Articles could be amended to include a provision by which in every quota review, total basic votes would increase by the same proportion as total quotas." Moreover, Buria proposes a restructuring of the Executive Board, modalities to protect the rights of minorities and a revision of the quota formulas.

3. Richard Blackhurst, "The capacity of the WTO to fulfil its mandate", in *The WTO as an International Organization*, Anne Krueger, ed. (Chicago, Illinois, University of Chicago Press, 1998). Blackhurst suggests a larger and more activist Secretariat, in which the smaller and poorer countries would be adequately represented. Another suggestion is that the World Trade Organization should itself provide funding to enable each country to keep a minimum number of professionals working full-time on World Trade Organization-related activities.

4. Stephanie Griffith-Jones, and Jenny Kimmis, "The BIS and its role in international financial governance", in UNCTAD, *International Monetary and Financial Issues for the 1990s*, vol. XI (1999). Griffith-Jones and Kimmis come to the conclusion that it is important to ensure the participation of developing countries in the Board of BIS, ensure greater and more formalized participation in monthly meetings of central bank governors, increase participation in the three key Basel Committees on a formal basis, and increase the number and types of developing countries included in BIS and the Committees.

5. G. K. Helleiner, "Developing countries global economic governance negotiation processes", paper for the W Institute for Development Econon Research (WIDER) project on the new and functions for the United Nations and Bretton Woods institutions, directed Professor Deepark Nayyar. After analys the disproportionate influence of s countries in agenda-setting and choice forums, Helleiner proposes the revival the Group of Twenty (with the same nun of developed and developing countries). Group should not function solely a Committee of the IMF Board as it dic the past but should constitute intergovernmental task force answer and reporting not only to the IMF but to the World Bank, BIS, IOSCO and Economic and Social Council of the Un Nations.

6. G. K. Helleiner, "A conference on fina and development?", in *Internatio Finance and Developing Countries in a of Crisis: 1997 Discussions at the Un Nations*, Barry Herman and Krish Sharma, eds. (Tokyo, UNU Press, 19 Helleiner analyses current decision-mal structures. In order to reform the latter proposes a global conference as a us starting point towards a more effec process of change. He complements proposal with four not necessarily mutu exclusive options to improve the gl economic and financial decision-mal process.

7. Constantine Michalopoulos, "Develop countries' participation in the World T Organization", March 1998 (paper avail at World Bank). To make their participa more effective, Michalopoulos recomm that the developing countries estab adequately staffed World T Organization missions based in Geneva failing this, that they pool their resou and representation in Geneva, and m sure that they pay their dues, which typically small. He recommends that international community place hi

priority on programmes of assistance in support of institutional development of poorer countries aimed at enhancing their capacity to participate in the international trading system and the World Trade Organization, and that the World Trade Organization review its internal rules and procedures to ensure that, inadvertently, they do not make developing countries' participation more difficult.

8. Constantine Michalopoulos, "WTO accession for countries in transition", June 1998 (paper available at World Bank). To help expedite the procedural aspects of accession, Michalopoulos suggests that World Trade Organization members "should consider increasing very substantially the resources made available to the World Trade Organization secretariat in assisting acceding Governments in the preparation of the original memorandum and in the design of legislation and regulations that would enable them to meet World Trade Organization obligations. This need not entail large increases in the World Trade Organization secretariat staff. It can be done by setting up a special trust fund earmarked for technical assistance in support of accessions, say, of the order of $4 million-$5 million for the next three to five years".

9. Pierre S. Mistry, "Resource mobilisation: policies on borrowings and guarantees", chap. 3 in *Multilateral Development Banks: An Assessment of their Financial Structures, Policies and Practices* (The Hague, Forum on debt and development (FONDAD), 1995). Mistry proposes a more automatic increase in the capital of the World Bank and regional development banks to do away with the contentious negotiations that take place every five years and that are largely dominated by donor shareholders. He proposes an automatic increase in callable capital which will increase total capital each year by a multiple of retained earnings accumulated that year.

10. Aziz Ali Mohammed, "The future role of the Monetary Fund", in *G-24 Discussion Paper Series*, No. 11 (April 2001). Mohammed suggests a change in constituency representation on the Executive Board of IMF by which the European countries would agree to cede one or more of their chairs to the sub-Saharan African countries. Furthermore, Mohammed contemplates changes in the quota formula towards a group-focused approach. A group criterion (rather than a country-focused one) would take into account the degree of volatility in private capital movements and/or the extent of integration into global capital markets as variable(s) in order to give greater weight to the emerging-market economies.

11. T. Ademola Oyejide, "Interests and options of developing and least developed countries in a new round of multilateral trade negotiations", in *G-24 Discussion Paper Series*, No. 2, (May 2000). Oyejide calls for a more aggressive use of technical assistance that should be focused on the "key human, knowledge and institutional capacity-building needs of the low-income members of the World Trade Organization". To this end, he suggests the opening of new World Trade Organization regional offices in Africa, Asia and Latin America.

12. UNDP, *Human Development Report, 1994* (New York, Oxford University Press, 1994).

"A further step in strengthening the United Nations role in sustainable human development would be the creation of an Economic Security Council — a decision-making forum at the highest level to review the threats to global human security and agree on required actions.

"The council must be kept small and manageable. Its membership could consist of 11 permanent members from the main industrialized and more populous developing countries. Another 11 members could be added on a rotating basis from geographical and political constituencies.

"An intermediate alternative would be to extend the mandate of the present Security Council so that it could consider not just military threats but also threats to peace

from economic and social crises. For this purpose, it may be necessary to establish a separate entity within the council — one with an enlarged membership and a new role in socio-economic security.

"Another possibility would be to use the Economic and Social Council — establishing within it a small and manageable executive board that could meet in permanent session and make decisions to be ratified later by the entire body.

"The voting system in an Economic Security Council should not include a veto. But to reassure all constituencies that their legitimate interests would be protected, the voting system should be to have all decisions ratified not just by a majority of all members but also by majorities of the industrialized and developing countries.

"As well as coordinating the activities of the United Nations agencies, the Economic Security Council would act as a watchdog over the policy direction of all international and regional financial institutions. To implement its decisions effectively, the council should have access to the global human security fund proposed earlier. The council would need to be backed by a professional secretariat to prepare policy options for its consideration" chap. 4, sect. entitled "New institutions for the 21st century: Economic Security Council".

For further related material see Edward C. Luck, "A review of United Nations reform-related projects supported by the Ford Foundation, 1985-1996", July 2001; and document WGUNS/CRP.3/Add.3 of the "Open-ended High-level Working Group on the Strengthening of the United Nations System (April 1996).

7. **Note**: The full text of the proposals (and the corresponding quotes) identified above can be found on the financing for developing web site under http://www.esa.un.org/ffd/policydb/ with the exception of the G-8 proposal (sect. C, proposal No. 1) (which was made before the press and is not part of an official document) and the joint World Bank/IMF proposal (sect. C, proposal No. 6) which is available at http://www.imf.org/external/news.htm .